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MCI

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July 14, 1995

Mr. William Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

Re: In the Matter of End User Common Line Charges, Notice of Proposed Rulemaking, CC Docket No. 95-72, FCC 95-212

Dear Mr. Caton:

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Reply Comments, regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Reply Comments, furnished for such purpose and remit same to the bearer.

Sincerely,

Christopher Bennett
Analyst

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

REPLY COMMENTS

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In the Matter of:	)	
	)	
End User Common Line Charges	)	CC Docket No. 95-72
	)	

MCI Telecommunications Corporation (MCI), pursuant to Sections 1.415 and 1.419 of the Commission's Rules, submits its comments in response to the Notice of Proposed Rulemaking (NPRM) in the above-captioned docket.[1]

SUMMARY OF COMMENTS

A plurality of respondents favor charging one SLC per ISDN facility.[2] Many of the other comments suggested a similar approach to the one SLC per facility approach, advocating methods that include one SLC per: (1) interface; (2) service; (3) physical wire; (4) primary rate interface (PRI) and/or basic rate interface (BRI); and (4) wire pair.[3] A few petitioners recommend somewhat novel methods that include: (1) a flexible approach that allows LECs to charge a range that may vary from one SLC per facility up to one

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1 In the Matter of End User Common Line Charges, Notice of Proposed Rulemaking, CC Docket No. 95-72, FCC 95-212, released May 30, 1995 (NPRM).

2 See Appendix 1.

3 Id.

SLC per channel, with some incremental increases between; (2) levying an ISDN surcharge; (3) basing the SLC level on a ratio of non-traffic sensitive (NTS) multi-line cost to NTS single-line cost; and (4) applying a ratio of derived channel cost to T-1 cost.[4] Two parties simply asked that SLCs be kept minimal, or reasonable, and inexpensive to promote ISDN usage.[5] Most of the telecommunications industry service providers recommend that the Commission either initiate a broad proceeding to look at common line (CL) related charges, or incorporate a review of CL within a broader access reform proceeding.

ONE SLC PER FACILITY IS THE PREFERRED OPTION

This rulemaking is one of limited scope. Its genesis was the Commission's decision upholding a Bureau Order that required NYNEX to charge multiple SLCs to its FLEXPATH Service.[6] Had this decision been blindly applied to ISDN, the result would be a substantial increase in the rates customers pay to receive an ISDN line. While it appears that the record to date is thin on information about demand elasticities for ISDN, it seems reasonable to conclude that

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4 Id.

5 Id.

6 See In the Matter of NYNEX Telephone Companies Revisions to Tariff F.C.C. No. 1, Transmittal No. 116, Order on Reconsideration, FCC No. 94-356, released January 11, 1995 (NYNEX SLC Order).

ISDN is not, for most customers and most applications, an essential service. Therefore, high end user charges would have slowed the deployment of ISDN.

What this rulemaking does not include is an examination of future changes in loop technology or the effects of competition on SLC policies and common line recovery.[7] MCI, like many other industry players, urges the Commission to open a broader examination of Part 69 reform in order to evaluate these deeper issues. For example, MCI believes that Commission policies for access cost recovery in a competitive environment must drive costs to total service long run incremental cost. While it is not objectionable to resolve the ISDN/SLC debate prior to examining more fundamental common line issues, the Commission should adopt a solution with one eye on the broader issues that lie

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7 For instance, US WEST claims that SLCs should not apply to Video Dialtone, a new service that can use new technology (See US WEST Comments, p. 4). MCI argues that US WEST's claim is contrary to the public interest, because it seeks a free ride for Video Dialtone -- in essence allowing Video Dialtone to use the local loop but not to contribute to cost recovery. Any LEC service that uses the local loop should contribute to cost recovery. There should not be any of the subsidy/support flows suggested by US WEST, in which existing rate payers fund the US WEST new service introductions -- whether or not they in fact use the new service. US WEST's statement is contrary to the Commission policy articulated in this NPRM and the Commission's longstanding cost causation policy.

ahead.[8]

The fact that a broad spectrum of comments favored the one SLC per facility approach indicates that this approach, which was favored by MCI, is viewed by most industry participants as the option that best contributes to the development of ISDN. This solution makes sense because there is nothing on the record that indicates that the ISDN SLC is different from other SLCs -- making a single SLC per facility appropriate and administratively efficient because it does not require the management of significant change. In fact under current price caps rules, the most important step the Commission would need to take to implement the single SLC per facility charge, and ensure that CCL does not increase, would be to direct all LECs to count lines in the same way under the existing rule and the proposed SLC rule -- for the purposes of calculating CCL rates -- to ensure that CCL rates are not arbitrarily affected by the implementation of the proposed rule.[9]

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8 For example, petitioners arguing that the SLC recovery should be per wire pair assume that the loop is provisioned using twisted pair. MCI understands other media, for example coaxial cable or even fiber optics, might be used in the local loop. Respondents do not explain how their preferred SLC charge would adapt to different local loop provisioning.

9 As MCI argued in its Comments, and incorporates herein by reference (See MCI Comments, filed June 29, 1995), this option should not require any adjustments to the price caps rules. The only consideration is that for those LECs already in compliance with the Commission's Rules, and now charging ISDN customer one SLC per

Southwestern Bell makes a recommendation that is both egregious and in direct conflict with the objectives the Commission set for the NPRM. Southwestern Bell states that any Commission decision taken in this docket should not result in a CCL decrease.[10] There is no public interest rationale underlying Southwestern Bell's proposal. CCL reductions will avoid uneconomic bypass and contribute to lower long distance rates -- a result proven to be in the public interest.[11]

CONCLUSION

MCI, and a plurality of respondents in this proceeding, believe that the Commission should allow the LECs to recover the ISDN SLC on the same per facility basis allowed for other SLCs. MCI believes this approach is the most reasonable, given the fluid nature of overarching regulatory proceedings and the changing business and technological landscape in the telecommunications marketplace. It will

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channel, e.g., Southwestern Bell, they will need to recalculate their CL revenue requirement to reflect the new rule, and appropriately make any adjustments to any other areas affected by the new rule.

10 Comments of Southwestern Bell, p. 5.

11 NPRM, paras. 9, 20, and 25 (in which the Commission, addressing lower SLCs that would have resulted from ISDN under the old rule, stated "[t]his approach also appears potentially <u>inconsistent with the general objective of reducing</u> the untargeted support flows intrinsic to the existing per minute CCL charge").

provide the optimal result for the fledgling ISDN market and for industry participants.

MCI would not be averse to other alternatives that do not impair the ISDN market and that decrease -- or at a minimum do not increase -- CCL. MCI asks that the Commission reject any alternatives that might prevent CCL reductions.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION

BY: ______________________

Christopher Bennett
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1801 Pennsylvania Avenue, NW
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Dated: July 14, 1995

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on July 14, 1995.

Christopher Bennett
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CERTIFICATE OF SERVICE

I Stan Miller, do hereby certify that copies of the foregoing Reply Comments were sent via first class mail, postage paid, to the following on this 14th day of July 1995.

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HAND DELIVERED**

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APPENDIX 1 - Comments Received and Reviewed by MCI

1. Comments of GTE, filed June 29, 1995 (use one SLC per facility)

2. NYNEX Comments, filed June 29, 1995 (one SLC/EUCL per interface, provided to the end user, with wideband services being charged no more than one SLC)

3. Communications Managers Association Letter, filed June 29, 1995 (stating leaning toward the SLC per facility approach, but reserving final comment until reply)

4. Comments of The United States Telephone Association, filed June 29, 1995 (one SLC per facility multiple SLCs would harm ISDN market and potentially limit SLC revenue growth)

5. California Bankers' Clearing House Association, MasterCard International Incorporated, the New York Clearing House Association and the Securities Industry Association (User Parties) Comments, filed June 29, 1995 (set ISDN SLC at cost and place under price caps)

6. Comments of the National Telephone Cooperative Associations, filed June 29, 1995 (1 SLC per facility or 1 SLC per BRI and 2 per PRI)

7. West Virginia State University Letter, filed June 23, 1995, (keep ISDN costs reasonable and inexpensive)

8. Joint Comments of America Online Incorporated, Compuserve Incorporated, GE Information Services, Inc., and Prodigy Services Company (Joint Parties), filed June 29, 1995 (price ISDN SLCs as low as possible, with one SLC per facility preferred)

9. Comments of The Information Technology Industry Council, filed June 29, 1995 (apply one SLC per each copper pair of ISDN)

10. Comments of Time Warner Communications Holdings, Inc, filed June 29, 1995 (apply one SLC per facility)

11. Comments of the Commercial Internet Exchange Association (do not base SLCs on per channel, try more "competitive measure")

12. Comments of Bell Atlantic, filed June 29, 1995 (levy ISDN surcharge to keep SLC reasonable and CCL down)

13. Comments of National Public Radio, Inc, filed June 29, 1995 (ensure local loop recovery does not inhibit new technology deployment for broadcasting)

14. Comments of Microsoft Corporation, filed June 29, 1995 (permit per facility charge and review access rate structures to determine if they make sense)

15. Comments of AT&T Corp., filed June 29, 1995 (charge SLCs at one per facility for BRI and one per channel for PRI)

16. Comments of Sprint Corporation, filed June 29, 1995 (allow LECs to voluntarily reduce SLCs down to 1 per facility and give flexibility to phase in additional charges up to 1 SLC per channel)

17. Comments of The Public Utility Commission of Texas, filed June 27, 1995 (charge SLC based on ratio of avg. LEC of derived channel / avg. LEC cost of providing T-1 facility)

18. Comments of Rochester Telephone, filed June 29, 1995 (assess SLC per facility)

19. Frank J. Burris Letter, filed June 23, 1995 (eliminate SLC charge)

20. Comments of The Tennessee Public Service Commission, filed June 29, 1995 (assess on each physical copper connection)

21. Comments of Ameritech, filed June 29, 1995 (charge SLC per service interface)

22. Comments of Cincinnati Bell Telephone Company, filed June 29, 1995 (SLC per facility)

23. Comments of The Center for Democracy and Technology (one SLC per facility)

24. Comments of Pacific Bell and Nevada Bell, filed June 29, 1995 (one SLC per facility is proper)

25. Comments of Tele-Communications Associations, filed June 29, 1995 (one SLC for each copper pair)

26. Cable & Wireless Comments, filed June 29, 1995 (impose minimal SLC on ISDN)

27. Comments of Roseville Telephone Company, filed June 29, 1995 (one SLC per physical facility)

28. BellSouth Comments, filed June 29, 1995 (one SLC per PRI or BRI)

29. Comments of The Northern Arkansas Telephone Company, Inc. to Notice of Inquiry Released May 30, 1995, filed June 29, 1995 (use copper pair/Path methodology to minimize cost barriers)

30. Comments of The Rural Telephone Coalition, filed June 29, 1995 (single SLC per BRI and two SLCs per PRI)

31. Comments of The American Petroleum Institute, filed June 29, 1995 (SLC per facility)

32. US WEST Comments, filed June 29, 1995 (apply EUCL/SLC relative to NTS cost -- using a "ratio of the average local exchange carrier [] NTS cost of providing multichannel services [] to the average LEC cost of providing single channel services -- developed on a company-wide basis, rather than study area

33. Comments of Southwestern Bell Telephone Company, filed June 29, 1995 (charge one SLC per service)